Policy

EDP Local Stakeholders Engagement Policy

Contents

1.   VERSION HISTORY

Version	Approval date	Prepared by	Approval	Note
1	26/06/2023	EA&S Corporate Global Unit	EBD	Initial issue

2.   PURPOSE

2.1.   SUBSTANTIATION

Stakeholders' engagement is a strategic priority for EDP Group.

Creating shared value combines EDP's objectives with the priorities of local Stakeholders, through UN's *Protect, Respect and Remedy* approach, in an equative relationship that integrates local communities into its operations, to create value for all.

Ethical conduct and the building of genuine, reliable relationships with the communities where EDP operates, as well as with its clients and partners, are key factors in the work to be carried out: the Group's social and environmental responsibility strictly follows its Ethics and Human Rights policies. Acceptance of local cultures and their roots is part of it, and allows for the long-term sustainability of the business

Sustainable development is one of the main pillars of its strategy, along with People: EDP chooses Earth and its inhabitants, focusing on the places in which we operate, respecting the United Nations' 2030 Sustainable Development Goals (SDGs).

EDP is clearly engaged in the permanent monitoring and analysis of its performance and impact, in accordance with ESG (Environment; Social; Governance) criteria, ensuring specific priorities to environmental, social and governance transparency. This leads to the strengthening of its current leadership on several sustainability indexes, and to the wellbeing of the communities where it operates, thus supporting its Strategic Plan.

Decarbonizing, digitalizing and decentralizing are the foundations of this commitment to change. EDP leads energy transition and encourage the World around it to do so.

On this path, the EDP Group faces significant challenges with a major impact in Stakeholder management.

Excess CO_2 emissions call for faster transformations in production structures and their implementation, where decommissioning is often the only real option.

On the other hand, renewable energies involve new territories and new communities, and asset rotation requests severe change of business leadership upon territories, impacting on communities.

It is therefore necessary to guarantee transversal principles that align the whole Group in its relationship with society. The Groups corporate reputation, transparent governance and total alignment are the grounds for trust throughout the regions where EDP operate.

On leaving *no one behind*, Communities are one of EDP's focus. And transparency, the way.

Stakeholders must have access to the information they need to assess investment risks arising from climate change and other sustainability issues.

2.2.   OBJECTIVE

Within the scope of EDP's Stakeholders engagement methodology, this Policy aims to promote a culture of transparency, strengthen the relationship with local stakeholders, promote their effective

and active engagement and minimize negative impacts in local communities, seeking the appropriate interaction between EDP and these entities.

The importance of Local Stakeholder engagement means that they are considered in the decision-making process in projects promoted by EDP, in accordance with the existing segmentation (annex I) and the published EDP Group Stakeholders Relationship Policy.

All teams representing EDP, whether employees and suppliers must acknowledge that their behavior has to be aligned with the ESG commitments the Group has taken.

Strategic guidelines contained in this Policy will make it possible to interact, engage and collaborate with local Stakeholders, ensuring that EDP's internal channels reinforce communication and gather all information needed for a more appropriate evolution of the local engagement practices.

Periodic monitoring will be carried out, ensuring risk prevention and greater learning, from a global perspective of Community Rights respect.

Local Stakeholders engagement is key to EDP's success and plays a crucial role on implementing the Group's policies, as well as ensuring a social license to operate, being a valuable tool throughout their lifecycle (concept, planning and licensing construction, operation and decommissioning, and asset rotation). EDP's main goal in the local engagement of its Stakeholders is to assure the full Human Rights and Environmental legislations respect, under the terms set out in the EDP Group's current internal regulations.

3.   SCOPE

This Policy is enforced throughout EDP- Energias de Portugal, S.A. (from here on, "EDP" or "Company"), as well as all companies owned by EDP based in Portugal, as well as Fundação EDP. Regarding the controlled companies, whether they are based in Portugal or abroad, the members of the management bodies appointed by EDP in these companies shall promote the transposition of this Policy. The same principle should apply to Fundación EDP and Instituto EDP.

4.   INTERNAL AND EXTERNAL REFERENCES

4.1. INTERNAL REFERENCES

a)   Code of Ethics;

b)   Integrity Policy;

c)   EDP Group Stakeholders Relationship Policy and Stakeholders Segmentation Model;

d)   EDP Group Stakeholders Management Methodology Guide (include Local Stakeholders Engagement Plan);

e)   EDP Human and Labor Rights Policy;

f)   EDP Group Environmental Policy;

g)   Procedure for Relations with Politically Exposed Persons;

h)   Social Investment Policy;

i)   Supplier Code of Conduct;

j)   "Stakeholders Management – Reputation Survey Action Plan";

k)   EDPR NA Project Developer's Guide.

4.2. EXTERNAL REFERENCES

a)   OECD (2011), OECD Guidelines for Multinational Enterprises;

b)   Accountability (2015), AA1000 Stakeholder Engagement Standard;

c)   Global Reporting Initiative (2016). GRI 102: General Disclosures;

d)   EU Corporate Sustainability Report Directive (CSRD);

e)   European Sustainability reporting Standards through EFRAG, European Financial; Reporting Advisory Group;

f)   EU Non-Financial Reporting Directive (NFRD)

g)   Proposal for an EU Directive on corporate sustainability due diligence (entry into force 2024).

5.   TERMS AND DEFINITIONS

BU – Business Unit;

CGU – Corporate Global Unit;

DD – Due Diligence;

EA&S – External Affairs & Stakeholders Corporate Global Unit at EDP;

EBD – Executive Board of Directors;

ESG – Environmental, Social and Governance;

HRA – Human Rights Assessment;

MA&CO – M&A and Corporate Development Unit at EDP;

Stakeholders – all interested parties that may be affected by the actions, decisions or results of projects promoted by EDP.

SEIS – Social and Environmental Impact Studies;

SICO – Social Impact Coordination Office;

SUST – Sustainability Corporate Global Unit at EDP

6. DESCRIPTION AND RESPONSIBILITIES

6.1. STAKEHOLDERS RELATIONSHIP PRINCIPLES

In the scope of its activity, EDP acts according to all its policies in the principles of ethics, transparency, and Human Rights, as well as all of the internal references stated at 4.1.and all external references stated at 4.2 above.

Whenever a certain project is analyzed, an Environmental DD and an HRA by an independent reliable 3rd party and the conclusions reached should be included in a report to be issued for this purpose.

The non-existence of negative impacts in relation to a particular project must be duly justified in the report.

This report should be shared with BU's Stakeholders Department in question and be subject to reassessments if any events that so justify.

When analyzing a particular project, and also based on the results of the DD and HRA carried out, the BUs should identify the following indicators as far as local Stakeholders are concerned:

- CapEx:
  - o If the amount has an impact on the BU's business plan or budget foreseen for the project.
- Social impact:
  - o Impact on the local economy/lifestyle and culture of the community;
  - o Impact preventable on vulnerable Stakeholders (indigenous people and minorities; socially deprived people, with the lack of fulfilment in any of the Human Rights defined by the UN);
  - o Significant impact on the territory/ landscape;
  - o Impact of irreversible transformation on biodiversity;
  - o Significant impact on economic activity in the territory.
- Impact on reputation:
  - o Affect relationship with public and local authorities;
  - o National and local media coverage;
  - o Risk of non-compliance with the Code of Ethics, Integrity Policy or Group Compliance regulations.
- Or other criteria that the BU considers relevant for the purposes of the local Stakeholders analysis.

This does not include projects that although meeting the criteria, establish commercial contracts only, with their Stakeholders.

EDP engages in the respect of not only national laws and regulations but also local practices in the countries where it operates.

The relationship with Stakeholders should be based in the following principles:

- **Understand/ Read the Context**: EDP projects are part of a broader physical, economic and social environment. It's important to listening to local Stakeholders in order to gain a deep understanding of their culture and recognise the added value of working in partnership, evolving from there to a common ground of understanding.

- **Communicate/ Acknowledge Stakeholder's Voice**: understand Stakeholder's right to be part of the project and the respective impact on it, namely through the creation of a public and easy channel for communication, respecting the community's culture and encourages them to take active part in the decisions that may affect them.

- **Trust/ Know Stakeholders characteristics**: be able to understand each Stakeholder characteristics and specific needs.

- **Collaborate/ Establish a good networking**: recognise the added value of working in partnership in a timely manner with other key local entities, ensure compliance and respect for Human Rights.

Stakeholder Engagement First Steps when entering a community:
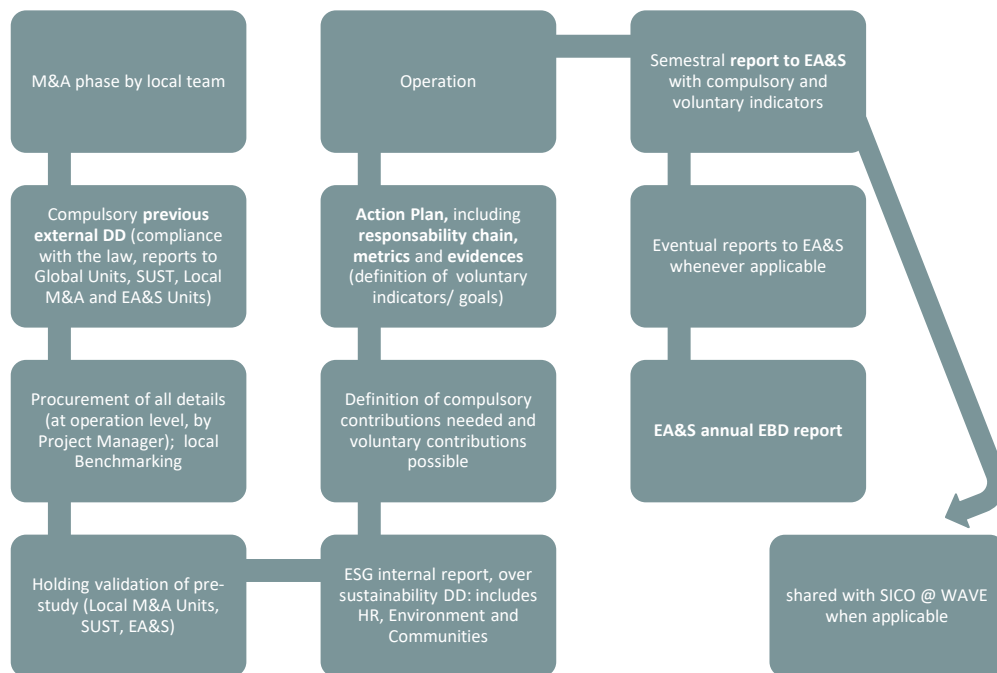
6.2. LOCAL STAKEHOLDER ENGAGEMENT PROCEDURES

EDP[1]'s Commitments aim to surpass the simple fulfilment of the formal legal requirements and contribute to the effective engagement of its Stakeholders, in this case for each new territory or

---

[1] General Principles of the EDP Group Stakeholder Relationship Policy

project. The responsible team for this area should consult and follow the EDP Group Procedure for Local Stakeholders Engagement.

       i.   *Governance Model Definition*

The governance model for Stakeholder management, as determined by the EDP Stakeholder Engagement Methodology Guide, is as follows:

EBD	Executive governing body responsible for the management of the EDP Group
Stakeholders Committee	Body composed of members of the EBD, representatives of BUs and CGU
EA&S	EA&S is responsible for ensuring Stakeholders relations are managed at all levels of the organization in an integrated manner, in line with the EDP Group strategy and aligned in all countries in which EDP operates
BU's Stakeholders Management Departments	Management departments responsible for managing Stakeholders designated by the different BUs. They act in coordination with EA&S to enhance the effectiveness of the Stakeholders engagement strategy

The following complementary governance model defines the integration of the engagement of local-scale Stakeholders in the formal structure of the company and its subsidiaries, with the appropriate human and financial resources, consisting of:

```
                        ┌─────────────────────┐
                        │        EA&S         │
                        └──────────┬──────────┘
              ┌────────────────────┴────────────────────┐
  ┌───────────────────────────┐      ┌───────────────────────────────┐
  │ In each BU, the Stakeholders│     │ In each geography, the corporate│
  │ Management Department       │     │ Department responsible for      │
  │                             │     │ managing Stakeholders           │
  └──────────┬──────────────────┘     └──────────┬────────────────────┘
             │  ┌─────────────────┐               │  ┌───────────────────────────────┐
             ├──│ Project Manager │               │  │ Business Unit's Stakeholders    │
             │  └─────────────────┘               └──│ Management Departments in each  │
             │  ┌─────────────────┐                  │ geography                        │
             └──│Stakeholder Manager│                 └──────────┬─────────────────────┘
                └─────────────────┘                              │  ┌─────────────────┐
                                                                 ├──│ Project Manager │
                                                                 │  └─────────────────┘
                                                                 │  ┌─────────────────┐
                                                                 └──│Stakeholder Manager│
                                                                    └─────────────────┘
```
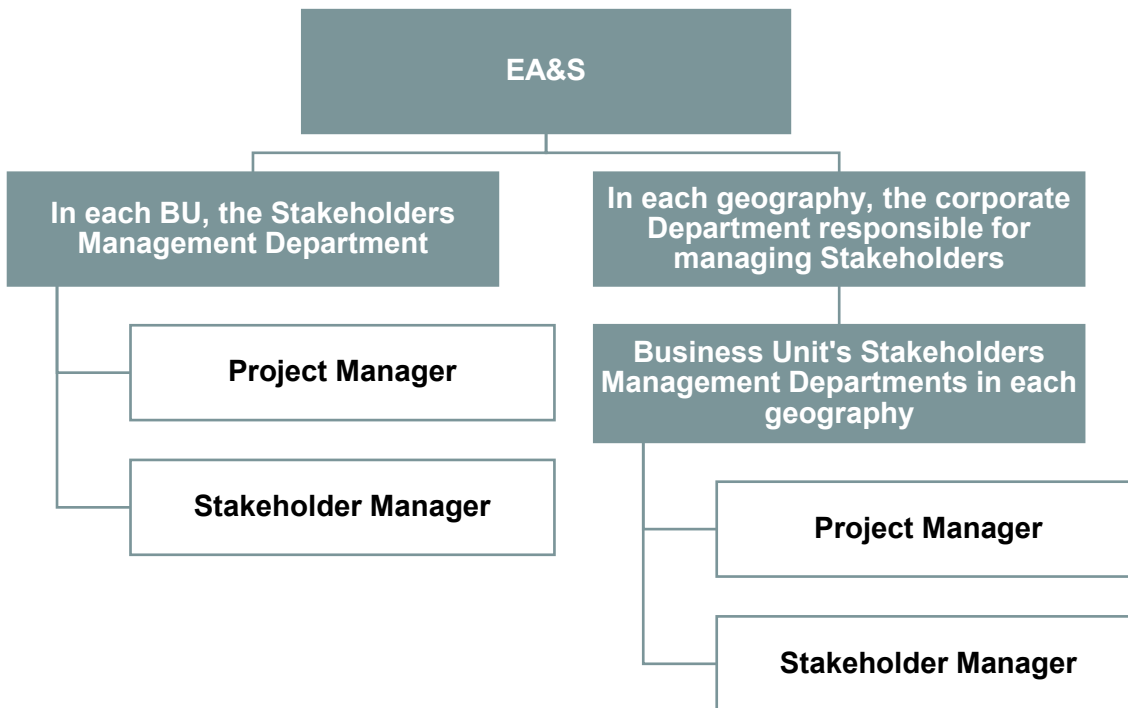
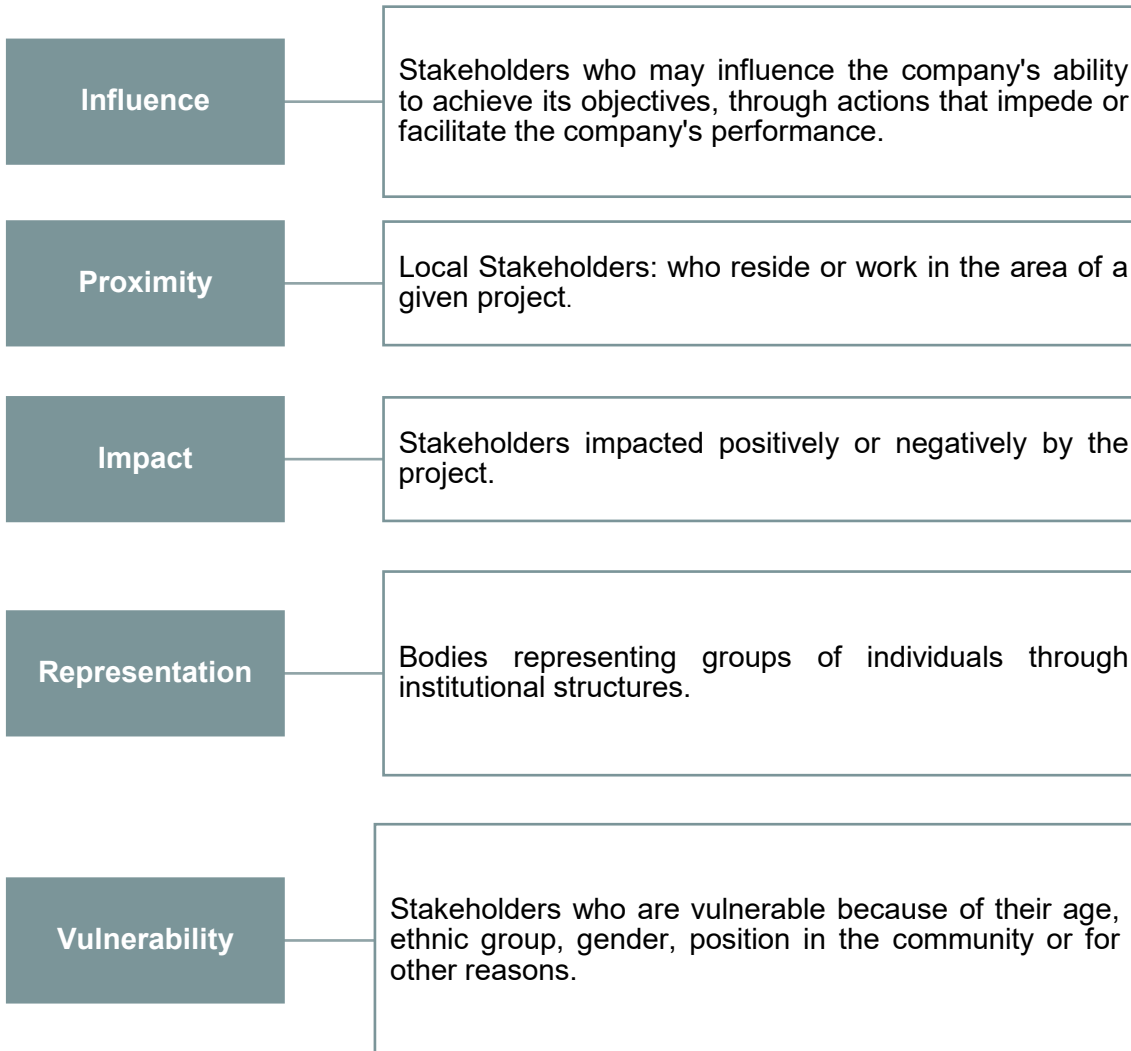The responsibilities assigned to each of the roles are as follows[2]:

- **Project Manager:**

  o Responsible for ensuring that the DD and the HRA have been executed by an independent and reliable 3rd party, and for implementing, coordinating and monitoring the project's development, by complying with the EDP Group Stakeholders Relationship Policy, the EDP Group Stakeholders Management Methodology Guide and the EDP Local Stakeholders Engagement Policy.

  o The project manager also sets out the responsibilities for implementing the Local Stakeholder Engagement Plan initiatives, as defined in the EDP Stakeholders Management Methodology Guide and in this Policy, ensuring its preparation and defining who's to implement it, guaranteeing compliance with all the requirements

- **Stakeholder Manager:** Assigned by the Project Manager, responsible for defining, implementing and monitoring the Local Stakeholders Engagement Plan in accordance with the EDP Group Stakeholders Relationship Policy, the EDP Group Stakeholders Management Methodology Guide and this Policy, and in particular:

  o Analyses benchmarking of risks taken in the community; action taken before, lessons learned, and results obtained;

  o Lists all risks now evident from DD and first Stakeholders audits;

---

[2] When there are no BU's Stakeholders Management Department in a certain geography, the project team must interact directly with the corporate department responsible for managing Stakeholders.

- o   Analyses the main themes to be addressed while engaging with the local Stakeholders;

- o   Proposes the Local Stakeholders Engagement Plan to the BU's Stakeholders Management Department, which is responsible for approving it and deciding how often it should be informed about the project's progress.

- o   Keeps the Project Manager informed in accordance with the Local Stakeholders Engagement Plan.

- **Business Unit's Stakeholder Management/Corporate Geographic Department**: departments that ensure the coordination of Stakeholders management activities in their BU in Portugal. In the remaining geographical regions, this point is taken to the corporate department responsible for managing Stakeholders in the respective geographical region.

  - o   Notify EA&S by 30 January each year, of the projects covered by this Policy in accordance with the criteria laid down. The list of projects may be updated on a proposal from the BU's Stakeholders Management Department/ in the geography or EA&S at any time of the year;

  - o   Ensure consistency between the plans of the different BUs projects, as well as compliance with all the Group's procedures;

  - o   Analyse, approve and monitor the implementation of the project's Local Stakeholders Engagement Plan;

  - o   Determine the regularity with which the project team must inform it about the development of the project;

  - o   Share the project's Stakeholders Management Plan with EA&S from its approval and at least on a semestral basis, ensuring the strategic alignment of the EDP Group.

ii.   *Identification of project Stakeholders*

For the purposes of identifying the main Stakeholders involved, ensuring the success of the project at all its stages, it is necessary to draw up a framework of the project's Stakeholders.

Non-exhaustive criteria to support the process of identifying Stakeholders are identified below:

Influence	Stakeholders who may influence the company's ability to achieve its objectives, through actions that impede or facilitate the company's performance.
Proximity	Local Stakeholders: who reside or work in the area of a given project.
Impact	Stakeholders impacted positively or negatively by the project.
Representation	Bodies representing groups of individuals through institutional structures.
Vulnerability	Stakeholders who are vulnerable because of their age, ethnic group, gender, position in the community or for other reasons.

iii.   *Engagement Approach*

Communication is of particular importance in relations with Stakeholders, who should be informed about the impacts of the project as well as the associated risks.

To this end, an **information sharing method** to Stakeholder must be created for this purpose, and specific **communication channels** identified per project.

iv.   *Managing expectations*

It should be clear to Stakeholders from the first interaction when, how and why their expectations and contributions will be integrated into decision-making processes.

To understand the position of Stakeholders in relation to the project, including their expectations and needs, a representative sample of Stakeholders should be heard in a structured way, so we can incorporate their input into the decision-making process.

There are various ways for Stakeholders' hearings, but it is recommended to focus on the use of individual interviews in contact with the different Stakeholders, allowing the discourse to be adapted to the audience. Besides interviews, one can proceed through questionnaires, online or paper, and public consultation.

- **Business Unit's Stakeholder Management Departments need to receive the following information from Project Managers:**
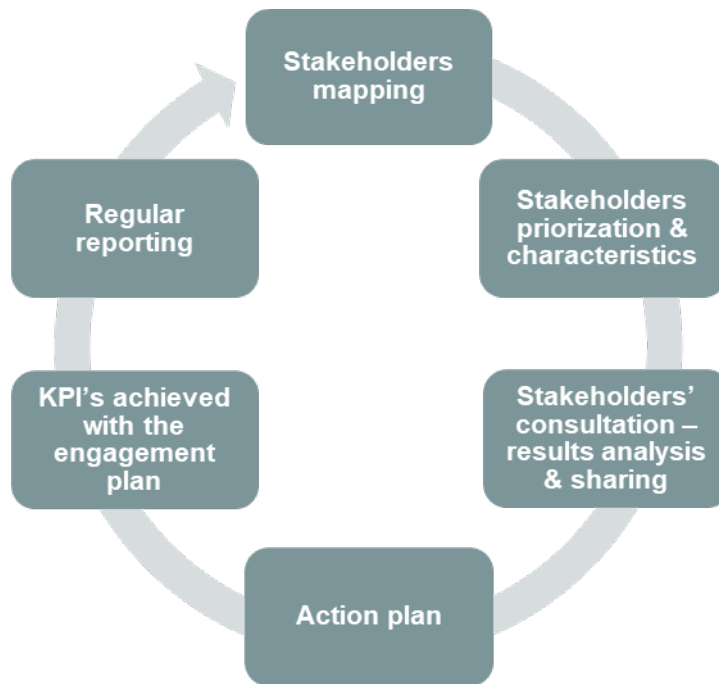
v. *Monitoring and Evaluation*
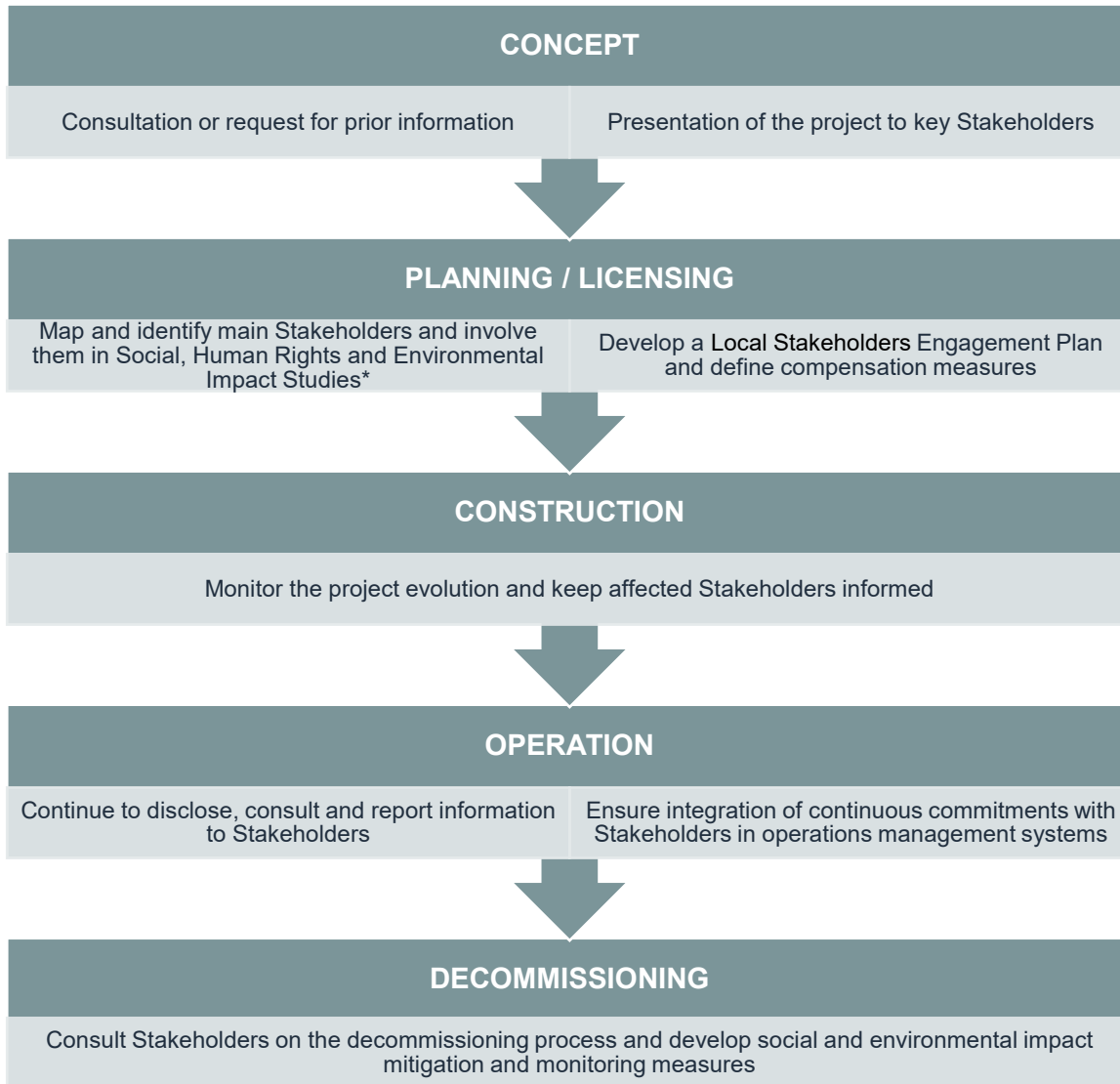
EDP must define mechanisms to monitor and evaluate the effectiveness of the local Stakeholders engagement, as well to make adjustments and continuous improvements in the approach adopted. It must also establish locally a dialogue procedure to ensure that all complaints filed with reference to each project are handled consistently, with guarantees of protection against any form of retaliation.

6.3.   ACTION PLAN ACCORDING TO THE PROJECT PHASE

6.3.1. Different Approaches by Project Phase

CONCEPT	
Consultation or request for prior information	Presentation of the project to key Stakeholders

PLANNING / LICENSING	
Map and identify main Stakeholders and involve them in Social, Human Rights and Environmental Impact Studies*	Develop a Local Stakeholders Engagement Plan and define compensation measures

CONSTRUCTION
Monitor the project evolution and keep affected Stakeholders informed

OPERATION	
Continue to disclose, consult and report information to Stakeholders	Ensure integration of continuous commitments with Stakeholders in operations management systems

DECOMMISSIONING
Consult Stakeholders on the decommissioning process and develop social and environmental impact mitigation and monitoring measures

* SEIS should follow the various phases and be revisited whenever there is evolution or change of phase.

7.   FINAL PROVISIONS

This Policy is effective immediately since the EBD approval date.

EA&S is responsible for reviewing and adequacy of this Policy, and proposals for revision shall be submitted whenever deemed appropriate.

8.   ANNEX I – EDP Group Stakeholder Segmentation